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Venezuela

Retail Food Sector

The Retail Sector in Venezuela 2008

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Report Highlights:

Supermarkets in Venezuela continue to provide U.S. exporters with one of the most important point of sale. There are 116,203 retail stores, including supermarkets (chain and independents), mom & pops, and government-owned stores in Venezuela selling food and beverages. Most Venezuelan supermarkets are modern and offer quick, high-quality service to customers. Imports of consumer-oriented products from the United States grew from US\$34 to US\$97 million between 2003 and 2007.

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SECTION I. MARKET SUMMARY

Most of the supermarkets in Venezuela are owned by descendants of Portuguese immigrants who came to Venezuela in the 1950's. Then, the sector was characterized by many disparate, small groups of outlets called "bodegas" or "abastos" that did not have sophisticated import mechanisms or customer service in place. However, the sector has changed significantly since the 1980's, and today most of the supermarkets have modern stores to offer quick, high-quality service to customers.

One of the reasons for this change is that the new generation of supermarket owners has attended international trade shows like the Food Marketing Institute Show (FMI), Fancy Food Show and Produce Marketing Association Show (PMA), where they have learned the latest trends in the sector including technology. And, of course, some have been educated in the U.S. and/or have visited frequently.

Both the public and private sectors serve Venezuela's retail food sector. The public sector is represented by the government. The Government of Venezuela (BRV) has created state-owned food production facilities and a distribution system, becoming a competitor to traditional supermarkets. Products offered through the government's network of retail stores are sold at lower prices as compared to traditional supermarkets. The private sector is represented by hypermarkets, supermarkets and small outlets. Most of the major supermarket and hypermarket chains in Venezuela belong to the National Supermarket Association (ANSA).

Exchange Rate Policy

Since early 2003, strict control policies govern and limit transactions with foreign exchange. Currency trading is illegal and all import transactions must be approved by the government's foreign exchange administration commission (CADIVI). Importers must register with CADIVI for formal applications for foreign currency transactions. When approved, the transactions are then liquidated through the Central Bank and finally through commercial banks. A complete list of imported agricultural products that can be imported at the official foreign exchange rate can be found at: <http://www.cadivi.gob.ve>.

The list should be checked periodically as products are added or removed by CADIVI without previous notice. Currently, the exchange rate is set at 2.15 Bolivars per US Dollar.

Food Price Controls

Since January 2003, the BRV imposed a price control policy on basic food and processed food products. The ministries of Agriculture and Lands (MAT); the Ministry of Food (MINAL); the Ministry of Health and Social Development (MSDS); and the Ministry of Light Industry and Commerce (MILCO) are responsible for recommending changes to the controlled-price list. Changes to the list of food products under price controls include: a) adding or removing products from the list, and b) increasing or lowering prices of certain food products. It is important for exporters to check the list of products under price controls and their current prices, as it can change without notice.

Products under price controls are: Rice, oatmeal, corn flour, pasta and bread, beef, chicken and poultry products, sardines and tuna, corn oil, sunflower oil, blended oil, powdered milk, pasteurized milk, milk infant formulas, soy milk, white cheese, margarine, peas, lentils and black beans, refined sugar and brown sugar, tomato sauce, bologna sausage, salt.

[\(For detailed information, please refer to GAIN report VE8047\)](#)

A. PUBLIC FOOD RETAIL SECTOR

MERCAL

Created in April 2003, MERCAL or "Mercado de Alimentos C.A.", markets food products at very low prices. The program is focused on a government- subsidized basic basket of products to the poor economic classes, referred to as "D" and "E" under Venezuela's statistical system. Products include: dry milk, precooked corn flour, black beans, rice, vegetable oil, sardines, pasta, sugar, bologna, margarine, deviled ham, eggs, and mayonnaise and sauces.

MERCAL's food distribution web has expanded to 15,743 points of sales that includes mostly small stores (see table 1). Food purchases are carried out directly by a government entity called CASA, or "Corporacion de Abastecimiento y Servicios Agrícolas", which was originally created in August 1989. CASA is in charge of purchasing domestic and imported food and agricultural products. Many of the products sold at MERCAL are under CASA's private label. The prices at MERCAL are lower than the controlled-priced products sold by supermarkets (see table 2).

During 2003, imported foods represented 70 percent of all products offered at MERCAL stores, with the remaining 30 percent sourced locally. Currently, CASA has stated that they import about 60 percent of its food products, with the remaining products purchased locally.

There are different formats of MERCAL:

MERCAL type I: These stores are owned and run by the government (154 square meters and larger).

MERCAL type II: These stores belong either to the government or the private sector. Prices are the same that in those stores Type I.

Supermercado: These are the biggest stores (440 square meters and more), managed either by the government or the private sector.

Mercalitos: Small mom & pops. These stores are privately owned (franchised) and can directly purchase CASA's food products.

Moviles: Trucks selling MERCAL products to different poor areas.

Table 1. MERCAL in Numbers

FORMATS	NUMBER OF VENUES
MERCAL I	210
MERCAL II	1,008
SUPERMERCAL	35
MERCALITO (Mom & pops)	13,978
MOVILES	394
DISTRIBUTION CENTERS	118
TOTAL	15,743

Source: Mercal's web page

Table 2. MERCAL Prices

Product	Package / Size	Price (Bolivares) *
Beef	1 Kilogram	6.53
Corn Flour	1 kilogram	0.89
Wheat Flour	1 kilogram	1.00
Powder Milk	1 kilogram	4.70
Margarine	500 grams	1.30
Sugar	1 kilogram	0.74
Mortadela (bologna)	1 kilogram	1.90
Pasta	1 kilogram	1.10
Chicken	1 kilogram	1.90
Black Beans	1 kilogram	1.65
Rice	1 kilogram	0.99
Vegetable Oil	1 liter	2.15
Lentils	1 kilogram	1.20

Source: Mercal's web page

*US\$1 = 2.15 Bolivares

State-Owned Enterprises

The Venezuelan Agricultural Corporation (CVA) is a state-holding enterprise created in 2004, with the following processing subsidiaries: CVA Cereals and Oilseeds; CVA Dairy; CVA Sugar and CVA Inputs. The main objective of the CVA's is to supply the demand of the state-owned food distribution chain, MERCAL. According to CVA's regulations published in the official gazette, these industries will not only produce pre-cooked corn flour, pastas, milled rice, powdered milk, refined sugar and various agricultural inputs through the establishing of processing plants, but also are entitled to import and export raw and processed food.

B. PRIVATE FOOD RETAIL SECTOR

There are 1,210 retail stores in Venezuela selling food and beverages, a figure that only includes supermarkets (chain and independents). It is estimated that there are 98,353 traditional “abastos” or “bodegas” (mom & pops), that are located on practically every block in Venezuela’s cities and towns, especially in middle-and low-income neighborhoods (see Table 3).

Food imports and distribution

U.S. exporters normally ship their product to distributors that import, stock and deliver to the retailer’s distribution center or individual stores. Makro, Exito, CADA, and Central Madeirense are all capable of direct purchasing and may deal directly with foreign suppliers. However, even the largest retailers depend heavily on local distributors for imported products.

The smaller supermarkets, local chains and independent supermarkets purchase through distributors and specialized importers.

The major retailers are developing increasingly sophisticated distribution systems. However in the case of frozen foods and perishables, retail stores still depend heavily on local distributors. In general, Venezuelan infrastructure for handling frozen and refrigerated products needs improvement.

Trends

- ❖ Major private retailers are visited by consumers from all socioeconomic levels. Primarily clients tend to be from the middle and upper-income groups. Classes D & E tend to visit more frequently the government-owned stores because of the lower prices. However, in the last couple of years the lowest economic classes are visiting more the supermarkets since there is more purchasing power.
- ❖ Supermarkets and department stores continue to provide US exporters with the best point-of-sales.
- ❖ E-commerce is in the early stages and could be a promising area for growth with major supermarkets now allowing consumers to order on-line or by e-mail for home delivery.
- ❖ Store hours are beginning to lengthen, with the addition of Sundays, holidays and uninterrupted service from 8:00 a.m. to 9:00 p.m. and in some cases until 10:00 pm.
- ❖ The 24-hour-format is not common in most parts of Venezuela for security reasons. Most commercial businesses close before 9:00 p.m. However, major supermarket chains like Excelsior Gama and CADA have some of their stores open 24 hours.
- ❖ Hypermarkets, major supermarkets, and some independent supermarkets have created their own brands, which have been well accepted by consumers; they are considering the expansion of these product lines.
- ❖ Marketing, through TV commercials, radio, and newspaper inserts is common. Supermarkets and hypermarkets like PLAZA’S, MAKRO, EXITO, EXCELSIOR GAMA and CENTRAL MADEIRENSE have been successful by placing their catalogs in newspapers as weekend-issue inserts.

- ❖ A major expansion of convenience stores is anticipated, as gas stations begin to add them to their facilities. But it should be noted that bakeries have traditionally served as convenience stores for Venezuelan consumers. Bakeries continue to be the outlets closest to home, where consumers can buy a range of products for everyday use such as bread, milk and dairy products, coffee, newspapers, soft drinks, and snacks, as well as processed meats. Most of them also make sandwiches and other simple foods, and they sell cakes and other gift products. Venezuelans are not accustomed to shopping at gas stations, except when driving along an intercity highway.
- ❖ There is an increasing application of information-recording and processing technology, including price readers, scanners, bar codes, affiliation cards to detect individual consumption habits, etc.

Trends in Services Offered By Retailers

- ❖ Major supermarket chains are preparing and selling meals for consumption at the store or carry-out (Home Meal Solutions - HMS), as a way of attracting customers.
- ❖ Makro, Exito and Koma among others (hypermarkets format) are beginning to add fast food services within the store. In some cases these services are rendered by international franchises.
- ❖ Most supermarkets chains are devoting space and assigning equipment to frozen foods.
- ❖ Specific shelves are increasingly being devoted to the foods targeted toward ethnic and religious communities. Organics are not common because of the high prices. However, there are a few organic stores opening in the country.

Table 3. Retail Outlets In Venezuela (Self Service)

TYPE OF STORE	NUMBER OF STORES
Supermarkets (Independent)	1,015
Supermarkets (Chain)	195
Drugstores	650
Liquor stores	205
Hypermarket Cash & Carry	42
Traditional (not self service) including "Abastos" (Mom & pops)	98,353
Total	100,460

Source: National Supermarkets Association (ANSA), 2007 figures.

Table 4. Major Retailers In Venezuela

RETAILER NAME	OUTLET TYPE	NUMBER OF STORES
CENTRAL MADEIRENSE	SUPERMARKET	45
CADA	SUPERMARKET	41
UNICASA	SUPERMARKET	29
SAN DIEGO	SUPERMARKET	12
PLAZA'S	SUPERMARKET	11
COMERCIAL REYES	SUPERMARKET	10
EXCELSIOR GAMA	SUPERMARKET	10
FLOR C.A.	SUPERMARKET	7
VIVERES DE CANDIDO	SUPERMARKET	6
SUPREMO	SUPERMARKET	6
EL PATIO	SUPERMARKET	5
DON SANCHO	SUPERMARKET	4
LUEBRAS	SUPERMARKET	4
FRONTERA	SUPERMARKET	4
SUPER ENNE	SUPERMARKET	4
LUZ	SUPERMARKET	3
SAN TOME	SUPERMARKET	3
SAGRADA FAMILIA	SUPERMARKET	3
MERCATRADONA	SUPERMARKET	3
SU CASA	SUPERMARKET	3
SIGO	SUPERMARKET	3
FRANCIS	SUPERMARKET	2
LICARCH	SUPERMARKET	2
LOS CAMPITOS	SUPERMARKET	2
REY DAVID	SUPERMARKET	2
EL DIAMANTE	SUPERMARKET	2
LA PAZ	SUPERMARKET	2

RETAILER NAME	OUTLET TYPE	NUMBER OF STORES
MAKRO	HYPERMARKET	22
EXITO	HYPERMARKET	7
CENTRAL MADEIRENSE	HYPERMARKET	1
EL NUEVO MERCADO	HYPERMARKET	1
EUROMERCADO	HYPERMARKET	1
SAN DIEGO	HYPERMARKET	1
GARZON	HYPERMARKET	3
JUMBO MARACAY	HYPERMARKET	1
TELEMUNDO	HYPERMARKET	1
KROMI MARKET	HYPERMARKET	1
LA FRANCO ITALIANA	HYPERMARKET	1
LHAU	HYPERMARKET	2
MERKAPARK	HYPERMARKET	1
PLAN SUAREZ	HYPERMARKET	3
RATTAN MARGARITA	HYPERMARKET	3
SANTO TOME	HYPERMARKET	1
SUPER LIDER CAGUA	HYPERMARKET	1
VIVERES DE CANDIDO	HYPERMARKET	2

*Supermarkets with only one store are not included

Private Labels

Compared to other countries in Latin America, the introduction of private labels in Venezuela has been slow. However, they now account for five percent of total supermarket sales as opposed to three percent in 2003 (this excludes CASA private label sales). Retailers are introducing more private labels because they want to give more options to customers. According to some studies from private research companies, there is more awareness of private labels by the retail sector as well as the consumers. The main reason for buying private labels products in Venezuela is the price. Consumers' opinion of private labels has changed for the better due to improved quality.

Table 5. Advantages / Challenges for U.S. Exporters targeting Venezuela's Retail Sector

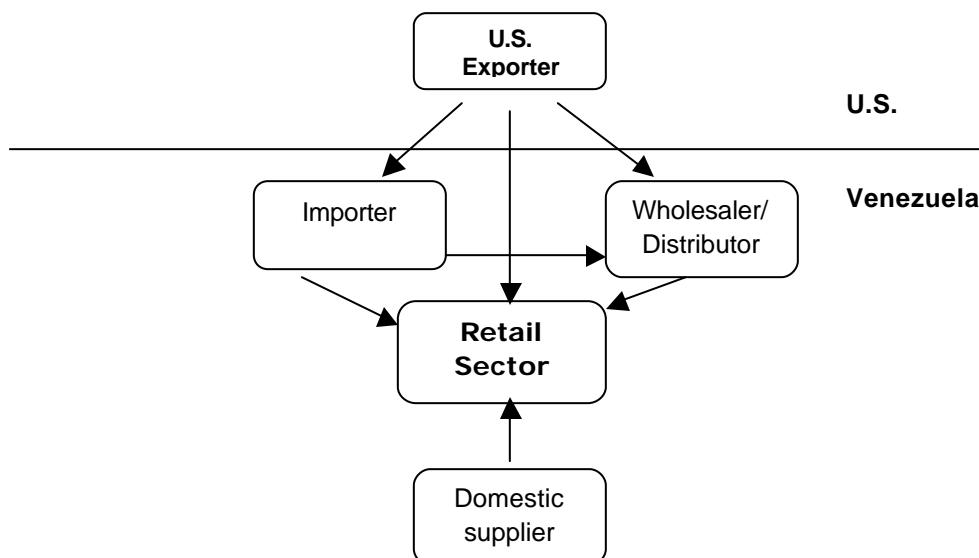
Advantages	Challenges
<ul style="list-style-type: none"> ❖ Venezuelan consumers consider U.S. products to be high-quality. ❖ Many Venezuelan make frequent trips to the U.S. and are influenced by its culture. ❖ Retail stores are modernizing and adding more freezer space to accommodate frozen foods. ❖ Proliferation of malls and accompanying expansion in the retail establishments using U.S. products. ❖ Local retailers see U.S. suppliers as a reliable source in terms of volume, standards and quantity. ❖ Two thirds of the population is below 30 years of age and are heavily influenced by U.S. culture through media, and are observed to be very open to ready-to-cook, and ready-to-eat imported food products. ❖ Rising per capita income. 	<ul style="list-style-type: none"> ❖ Government-imposed foreign exchange control and price control. ❖ Imported products are expensive for most consumers, who are very price-sensitive. ❖ Venezuelan infrastructure for handling frozen and refrigerated products needs improvement. ❖ Mercosur countries have trade agreements with Venezuela giving them preferential duties for some products. ❖ Difficulty for some products in obtaining import permits and food registration numbers. ❖ High inflation rate.

SECTION II. ROAD MAP FOR MARKET ENTRY

A. Entry Strategy

- ❖ U.S. exporters can approach Venezuelan buyers through a large importer or wholesaler/distributor or through a specialized importer. Regardless of strategy, U.S. exporters need a local partner to educate and update them about market consumer trends and development, product registration procedures, and business practices.
- ❖ Wholesalers/distributors and importers play an important role with Venezuela's supermarket retailers. Although some supermarkets have tried to order imports through consolidators, the bulk of supplies come from local agents or importers. Large supermarket retailers are more likely to import directly from U.S. suppliers.
- ❖ Local importers are a must when selling U.S. food exports to Venezuela's convenience stores or traditional retail outlets. Because there is relatively little turnover, retailers in these markets are not interested in buying directly from exporters or through consolidators.

B. Market Structure



SECTION III. COMPETITION

Local producers are the main suppliers of consumer-ready products. Venezuela has a relatively strong food processing industry and leading Venezuelan brands have excellent distribution networks, are well-positioned in the market and enjoy high brand awareness with consumers. Some of these companies include: Empresas Polar (rice, corn flour, beverages, beer, pasta, mayonnaise, vegetable oils, ice cream among others), Alfonso Rivas & CIA (cereals, condiments, and canned foods), Pastas Capri, Pastas Sindoni, Monaca, Mocasa and many other companies distributing: Sauces, dairy products, confectionery, snacks, processed fruits and grains among other products.

There are also several multinational producers/importers in Venezuela, including: Alimentos Heinz, General Mills, Kellogg's, Kraft Foods, Procter & Gamble, Frito Lay-Pepsico, Nestle, Bimbo, Cargill.

Competition among importers depends on the category. Processed-food products are imported mainly from South American countries, primarily Colombia, Chile, Brazil, and Argentina. Imports of consumer-oriented products from the United States grew from US\$34 to US\$97 million between 2003 and 2007

SECTION IV. BEST PRODUCT PROSPECTS

Table 6. The best products prospects in the Venezuelan retail market are as follows:

Top 10 Venezuelan Agricultural Product Imports from the United States (Millions of U.S. Dollars)			
Product Description	2006	2007	%Change 2006/07
Snack Foods (Excluding nuts)	13.68	15.08	10.23
Breakfast Cereals	0.67	1.96	192.53
Processed Fruit & Vegetables	10.62	12.49	17.60
Vegetable Oils (Excluding Soybean Oil)	9.59	12.33	28.57
Tree Nuts	6.79	7.60	11.92
Fruits & Veg Juices	1.90	3.29	73.15
Margarine	0.47	6.64	1,312.76
Rice	0.51	2.01	294.11
Fish Fillets	0.23	0.29	26.08
Chocolate	5.90	6.66	12.88

SECTION V. POST CONTACT AND FURTHER INFORMATION**Office of Agricultural Affairs****USDA/FAS****United States Embassy**

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Ministerio de Alimentación (MINAL)

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Exchange Control Administration Commission

Comisión de Administración de Divisas (CADIVI)
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